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MO 26/11/5

(Washington file)

for  
P. Smith

PRIME MINISTER

HARRIER/AV8B

You will be aware that the Americans earlier bought some one hundred Harriers from us, and more recently have been developing themselves a further improved version for the US Marine Corps, known as the AV8B. The main interest in this for us has been the prospect of substantial work for Rolls-Royce and to a lesser extent British Aerospace and certain equipment companies, in making those parts of each AV8B which we could expect to be sub-contracted here. We have been looking to this as a major element in redressing the very unequal balance of defence equipment trade which lies substantially in favour of the US.

2. However, the AV8B programme has had an unstable history with strong backing from Congress and the US Marines being countered by a lack of enthusiasm in the Administration. Dr Harold Brown told me in July that he does not regard the programme as cost effective, if the US were the only purchaser, and raised the question of possible UK procurement of the aircraft. In his view if Britain did not buy enough aircraft to reduce the AV8B unit cost significantly, the US was unlikely to buy any. He indicated he would need to address such considerations in early December 1979 during the final phases of putting their FY 81 defence budget together.

3. It so happens that the Royal Air Force and British Aerospace have also been considering future improvements to Harrier, since it is clear that its unique short take off and vertical landing performance will continue to provide a vital operational capability for the Royal Air Force and Royal Navy for a long

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time to come. Studies of a British design, known as the Harrier Mark 5, are well advanced but before reaching decisions on this I agreed with the Americans that we should look at their AV8B to see whether this might provide a sensible alternative.

4. In the last eight weeks, assisted by British Aerospace, we have been undertaking such an evaluation, but it is not yet possible to take a final view on the operational, cost and industrial implications of choosing the AV8B. In particular, we need further studies on the manoeuvre performance of the AV8B in air-to-air combat. This is a feature of real importance for RAF operations in the Central European environment, for which the UK Mk 5 Improved Harrier is specially designed. I shall also need to look most carefully at the cost of joining an AV8B programme since such information as we have suggests that it could be more expensive than continuing our own development. Against that we shall have to weigh the likely benefit to UK industry of a joint US/UK AV8B programme, which could be initially in the order of £450M more than for a Mark 5 Harrier programme, with perhaps further increases if there were additional Government orders and foreign military sales.

5. The political implications are likely to be complex and difficult. Much could depend on what industrial arrangements appear to be negotiable on such things as work shares, data rights and sales, but, even if all else should prove reasonably satisfactory a fundamental issue would be the extent to which the US could give assurances about the longer term stability of the programme within their system which demands annual budgetary and Congressional approval.

6. I need to consider these and other issues further before I can come to a conclusion but, knowing the US DCD budgetary timetable, I thought it was sensible to write to Dr Brown explaining this situation and expressing my hope that he would not find it necessary to close the option before we could give our decision. We shall try and get further information we require as quickly as possible and I will then circulate a further note. Meanwhile I thought you would wish to be aware of what is happening.

7. I am copying this minute to the other members of OD, to the Secretary of State for Industry and to Sir Robert Armstrong.

14th December 1979

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